SECRET

WAR DEPARTMENT
OFFICE OF THE ASSISTANT SECRETARY OF WAR
HEADQUARTERS, STRATEGIC SERVICES UNIT, CHINA

APO 907
3 August 1946

SUBJECT: Report of the Strategic Services Officer - July 1946.

TO : Director, Strategic Services Unit, Washington 25, D.C.

1. GENERAL

The most significant development during the month were the plans for the 7th Fleet to assume "limited control" and "complete logistical support". This possible transfer from the Army to the Navy has been a subject of discussion since the approval of the liquidation plan of China Service Command by the War Department. Included in the provisions of the approved plan was the liquidation of SSU/China by 30 September 1946. Subsequent developments included several informal conferences with various members of the staff of Admiral Cook as well as with the Intelligence Officer of CINCPAC, who is based at Pearl Harbor, T.H., but who was in China during the month of June for a tour of inspection of Naval Intelligence installations and SSU. This was followed during the month of July by a query from the Chief of Naval Operations to the Commander of the 7th Fleet inquiring as to the advisability and feasibility of 7th Fleet assuming the responsibilities of the Army Command in China vis-a-vis SSU/China. Before this cable was answered by the Commander of the 7th Fleet, General Marshall following a conference with the Strategic Services Officer requested Admiral Cook to assume the responsibility for the operations of SSU/China as soon as practicable, and on 25 July 1946 Admiral Cook so cabled to the Chief of Naval Operations. We are now awaiting further developments from Washington and have already prepared a plan covering the details of "complete logistical support"

In an attempt to maintain closer contact with personnel in the field we have initiated a Weekly Letter to all field stations, which is prepared by the Reports Officer and in which we include a general summary of activities of the past week as well as information desired to be transmitted to the field by the various Branches and Sections. In addition, it is contemplated that the practice started in June of having either the Commanding Officer or the Executive Officer visit each of the field stations at least once a month will be continued.

Although there have been no riots or disturbances during the month of July in the Shanghai area, the China Service Command prepared an emergency plan designed to protect American personnel in the event serious disturbances do occur. A copy of the annex which pertains to SSU/China is appended to this report for information only.

2. PERSONNEL

In the report of the Strategic Services Officer for June 1946 it was stated that "It is not believed we can operate efficiently without the personnel we have stated we require". Subsequently approval was received from Washington for an increase in our personnel ceiling from 196 personnel to 214. Based on the approved strength figure of 214 persons there are now a total of 65 vacancies in this organization. During the months of August and September we are due to lose 36 persons; October - 11 persons; November - 11 persons; December - 4 persons. Among the persons departing within the next thirty days are included 1 Field Team Commander, 2 Shanghai Administrative Personnel, 3 Shanghai Radio operators, 2 Shanghai Radio Repairmen, 2 Liaison Pilots, 1 S.I. Clerk, 1 Political Analyst, 1 Press Analyst, 3 X-2 Investigators, and 18 persons who are members of Field Teams engaged in investigation and research. At the present

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2. PERSONNEL (cont'd)

time this organization has no Security Officer, no Chief of S.I., and 9 vacancies in the Translation Section, in addition to many vacancies for S.I. and X-2 investigators and many of the slots now filled are being held by persons with no background and training for their job. It is extremely discouraging for many of the personnel now in the Theater to realize the feebleness of their efforts as compared to the intelligence activities of other nations.

During the month of July this headquarters received a total of 8 replacements who have been assigned as follows:

Frances Blair - clerk-typist, Peiping.
C/Y Daniel G. E. Hanson - clerk-typist, Tsingtao.
Betty Janes Linne - S.I. Reporting Board.
Roberta Meyer - Adjutant.
Ann Palko - CCM.
Johnny Parish - S.I. (Office of the Chief, S.I.)
Dorothy Shackleton - S.I. (Admin Asst. to Chief, S.I.)
Ronald MacMillan - Chief, X-2.

During the month of July there have been a total of 16 departures as follows:

Capt. Richard M. Auld - S.I.
T/3 Thomas A. Brady - X-2.
T/4 Albert W. Henning - X-2.
1st Lt. William E. Lawson - S.I.
1st Lt. Leonard C. Meeker - S.I.
Sgt. David T. Northcutt - X-2.
1st Lt. Robert N. Rappaport - Comm.
1st Lt. Louis H. Sabin - S.I.
1st Lt. Richard E. Thistle - Comm.
Eileen Devney - S.I.
Warner S. Goodwin - S.I.
Robert C. Howse - S.I.
Jeane C. Kennedy - Services
Arthur A. Logue - Comm. (to be hospitalized)
William M. McGhee - S.I.
Thomas E. Skinner - Comm.
1st Lt. Joseph Sample - S.I.

An administrative problem which was solved during the month of July was that of the billeting of civilian personnel. The solution was the obtaining of the former dormitory and mess of the Yokohama Specie Bank located at 733 Rue Ratard in Shanghai, which was transferred by the United States Army from the WAC to ourselves. This property is under the control of the Alien Property Administration and is obtained rent free. However, it has been necessary to expend money for maintenance and repairs to the roof and heating system. It is a three story detached brick building with servant quarters and contains approximately 42 bedrooms, as well as a large lobby, dining room, kitchen, library and game room on the ground floor. The grounds are spacious and include a tennis court and a volley ball court.

3. S.I.

With the departure of Mr. Ben Smith on 5 July there has been no Chief of S.I., as such, and it has been necessary for Lt. John Kennedy and Mr. Ronald Metz to assume many of the duties and responsibilities of the Chief of S.I. under the direction of the Strategic Services Officer. In addition, with the departure of Capt. Wayne Richardson for field duty there has been no OB analyst and much of his work has been piling up awaiting the arrival of Mr. Asa Smith, who is presumably enroute from the United States. Mr. Charles Cox has assumed the duties of Economic Analyst

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3. S.I. (cont'd)

in addition to assisting in organizing the production of a Weekly Intelligence Summary. Both Mr. Metz and Lt. Kennedy are returning Stateside this month, thus leaving Mr. Cox as the only special analyst on the staff of S.I. with the exception of the three area analysts who work under the direction of Mrs. Agnes Green.

In addition to the weekly dispatch to the field of a Weekly Letter from the Shanghai Headquarters, there has also been initiated a Weekly Comment Sheet on intelligence received from the field, which is prepared by all Shanghai S.I. personnel who are processing incoming intelligence. These Comment Sheets include specific instructions, criticisms, and suggestions and, it is believed, will result in better reports and eliminate much of the rewriting of reports which is sometimes required at the present time before these reports are pouched to Washington.

It was anticipated that during the month of July a field team would be established in Harbin. However, due to the fact that this particular city is still in the hands of the Communists, we have been unable to actually set up an overt installation. On the other hand, Lt. Colonel Ralph Redford and Mr. Quentin Johnson were able to spend a total of ten days in Harbin and in addition to obtaining some valuable intelligence in regard to the present occupation of Harbin by the Communists, they were also enabled to obtain a lease on a compound pending the time of their actual entry. Meanwhile personnel destined for Harbin have been sent to Changchun where the two teams are presently combined. Harbin intelligence is being handled by the interrogation of travelers returning from that city and by the briefing of travelers who are leaving Changchun for Harbin. This has not proven completely satisfactory, but we are at least poised for the move forward when the opportunity presents itself.

There have been no significant developments in Shantung Province during the month. Lt. Sample has departed Stateside and Captain Walker is now alone in Tsinan. Although much of the time of Ensign James Moore and Capt. Fred E. Hubbard is now occupied with liaison with various members of the 7th Fleet, intelligence has continued to flow in a regular quantity. To assist in the production of intelligence and to enable Capt. Hubbard to devote more time to the 7th Fleet, it is planned that one female stenographer will be sent to Tsingtao to type all reports. With the assumption of control by the 7th Fleet it will be necessary to enlarge our installation at Tsingtao and plans have already been prepared in this regard. However, the bulk of personnel who will be sent to Tsingtao will be administrative and it is not contemplated that this personnel increase will result in a corresponding increase in the production of intelligence.

During the month of July a request was received from Washington for the return of Lt. Richard Davis to Washington. Unfortunately we were unable to comply with this request since Lt. Davis is in charge of the Canton Field Team and Canton at the present time is an area which requires cover, since it has always been the trouble spot in South China, and in the event of any difficulty between the Communists and Nationalists in South China it is almost certain to originate in that city. Further, Lt. Davis is our only liaison with the British in HongKong. This in and of itself is not particularly important, but we do feel that we need the link that liaison furnishes, even though we are not engaged in the exchange of information. To have returned Lt. Davis to Washington, as requested, would have compelled us to close Canton which was only recently reopened, and Washington was advised that Lt. Davis would be returned only upon receipt of a suitable replacement.

In connection with the return of personnel upon the specific request of Washington, I would also like to point out the case of 1st Lt. Stanley Bergman, whose return was requested by Washington. Lt. Bergman is the Chief of our nearly defunct Translation Section. We are operating in a part of the

3. S.I. (cont'd)

world where knowledges of languages is particularly important in that many documents are received which are not in English. In order for those of us who are not linguists to be able to function, it is believed advisable to have a Translation Section. In fact, we should have a Translation Section composed of linguists who collectively are able to read, write, and translate Chinese, Japanese, Russian, German, French, Portuguese, and Spanish. Further, those local personnel who are employed by the Translation Section need direction and control, if for no other reason than they are not permitted to work on classified material. For these reasons the departure of Lt. Bergman as head of the present Translation Section will be a particularly serious blow to the operating efficiency of this Section. I should like to point out that in addition to his outstanding knowledge of the Japanese language, Lt. Bergman has also been able to aid in German, French, and even some Russian translations. 1st Lt. Joseph A. Procaccino will temporarily succeed Lt. Bergman has Chief of the Translation Section, but he too is scheduled to depart in the very near future. With his departure, unless replacements are received, the Translation Section will for all intents and purposes be inoperative. In this connection it iw well to point out once again that linguists are vitally needed. A request for linguists was first submitted by Lt. Colonel Robert J. Delaney prior to my arrival in the China Theater. This request was repeated by me shortly after my arrival, and I have been in China a total of ten weeks as of 1 August 1946. To date we still have no advice from Washington as to the recruitment of personnel for the Translation Section.

But to return to matters which may be more properly classified under S.I., the Peiping Field Station has been operating for the past month under an extreme handicap in that key personnel have been removed from Peiping to Changchun at the end of June. However, a reasonable quantity of intelligence has continued to flow from that station and the personnel now there deserve a considerable amount of credit for their being able to pick up and handle the contacts developed by Johnson, Leininger, Bottoroff and Bessac.

Tientsin has continued to be productive throughout the month and they are to be particularly commended for the way in which S.I. and X-2 have been able to work together in the development of contacts. The credit goes to Mr. Harry Carroll, Lt. Leonard Bienvenu and to a certain degree to Major Robert C. Matthews Jr.

During the month a situation developed in Mukden which required a trip by the Assistant Theater G-2 and the Strategic Services Officer to that city to straighten out the problem. Briefly, the situation was a personality conflict between the SSU personnel and the Assistant Military Attache, as well as with the Consul General in Manchuria. The personality conflict was generated by a jealousy of SSU, which it is now believed has been straightened out. The Theater G-2, Colonel Louis L. Leavell, submitted a report through General Alvin C. Gillem Jr. to General Marshall which recommended that no further action be taken. Previously the Assistant Military Attache had written a letter, which the Consul General signed, to General Marshall requesting that he receive clarification as to the relationship of SSU with other American Government agencies. In addition, the Assistant Military Attache wrote a letter to the Military Attache at the Nanking Embassy complaining of an alleged lack of cooperation between the SSU personnel at Mukden and himself. It is believed that the Headquarters of General Marshall will concur in the recommendation of the Theater G-2 as the matter may now be considered closed.

4. X-2

Details of X-2 operations during the month are included in the X-2 Report submitted herewith. There have been no significant developments during the month since the nature of their operations is not such as to be

4. X-2 (cont'd)

spectacular. However, a considerable amount of planning has been discussed on a conversational level and these plans will be submitted in detail as they are crystallized. It is well to point out that now is the perfect opportunity to set up several operations from which we can reap benefits in subsequent years and it is hoped that Washington will not dismiss the plans to hastily upon their submission for review. It is also pointed out that the days of "easy pickings" are over and that our operations are going to cost considerably more money in the future. Competition is keen in Shanghai and the Soviets are possessed of unlimited funds. We are not in the market and are consequently not engaged in bidding prices upward, but even so there is a constant upward price trend. During the month of August we are losing Mr. Glenn Fields, Mr. Alwyne C. Pinder, Lt. Lorentz Jorgenson and T/4 Howard Waldron. Jorgenson has been constantly developing and with more experience under the tutelage of seasoned operators he may develop into a first grade man. However, Fields and Waldron are experts and their loss will be severely felt. Likewise Pinder has proven himself to be extremely able and is certainly a man we should induce to remain with the organization; he is returning Stateside for temporary duty and should be returned to China immediately upon the expiration of this period of temporary duty.

5. Security

It is my impression that Washington does not understand the security problem that is present in this Theater. Security is something that must be practiced day in and day out, and the theory of having a Security Officer charged with being the watchdog is excellent. In fact we heartily concur to the inclusion of Security Officer in the Table of Organization for each mission. However, we have been without a Security Officer in China for nearly a month and at present, insofar as we have been advised, there is no prospect of obtaining one. During the war a number of bad habits were developed which included the hiring of natives for many administrative tasks and also the conditioning of our American personnel to the having of natives about. As a result it was discovered only a few days ago that we had a young man born in Shanghai, but of Austrian nationality, who was making all of the entries in our Special Funds books. In this position he was able to determine exactly who was drawing operational funds, in what quantity, how frequently, and whether or not our operations were increasing or diminishing. This practice was common in all Special Funds offices throughout the war and apparently continued in China until 1 August 1946. As Strategic Services Officer I blame myself for not having picked this particular matter out for correction prior to that date, but if we had ever had a Security Officer who was really "on the ball" this would have been picked up on 3 Sept. 1945 and not have continued to exist for a period of 11 months. Previously comment was made on a situation in one of the field stations where it was found that a British national not only had access to top secret files, but actually typed top secret cables and documents. Further, there have been instances where matters supposedly classified were heard discussed by personnel not connected with such matters in such places as the Officers Club in Shanghai. There are countless other matters in connection with security which are constantly popping up and which tend to make it extremely discouraging to continue operating. I agree that it is the task of all of us to be security minded, but I do need a mature willing worker to act as Security Officer. I would point out someone with a disposition of Major John Gulley, formerly Security Officer in the India-Burma Theater. It is therefore requested that a really good man be dispatched soonest to be Security Officer for this Theater. In addition, I would recommend a replacement for Mr. Paul Christopher, who is at present scheduled to return Stateside in October, but who can be dispensed with as soon as a replacement arrives.

6. CONCLUSION

It is only fair to point out that this Headquarters is fully cognizant of the problems in connection with the recruitment of personnel. Such complaints as are recorded in this report are again brought to the attention of those concerned in Washington solely in the interest of the efficiency of this organization. My position is, that if Admiral Cooke and General Marshall are willing to stick their necks out to the point of having to face a barrage of Congressional criticism in the event the Soviets ever break our presence in the front pages of the world's newspapers, then we as an organization have the responsibility, not to ourselves, but to these indiv iduals and to our country, to work as efficiently and as diligently as we possibly can in accomplishing the mission which has been assigned to us. I do not feel this is being accomplished when key personnel replacements take as long as 8 or 9 months to reach us (e.g. replacement for Mr. Ben Smith) after Washington has been advised of the approximate date the vacancy will occur, nor do I feel that we are working to this end when we receive females who are unable to type or take shorthand (e.g. Misses Foss and Prime). It is well to point out, however, that we will play the game in any league we are placed and at any ball park. We will continue to produce what we can when we can, regardless of the situation, even though the quality will necessarily diminish.

AMOS D. MOSCRIP JR.
Lt. Colonel, Infantry
Commanding.

TOP SECRET

WAR DEPARTMENT
OFFICE OF THE ASSISTANT SECRETARY OF WAR
HEADQUARTERS, STRATEGIC SERVICES UNIT
CHINA THEATER
APO 907

1 August 1946

TO: SAINT (JJ/2 and DH/5)

FROM: SAINT (BH/76)

1. Attached hereto is a copy of the X-2 China Station Activities Report for July 1946.

BH/76
jf

Distribution:
2 - Washington
6 - Hq. & Hq. Det.
1 - Shanghai

TOP SECRET

SUBJECT: Station Activities, X-2 China, Month of July 1946.

I. Organization and Strength

In Shanghai

1.	Ronald A. MacMillan	Chief X-2
2.	Glenn D. Fields	Former Chief X-2
3.	James Moran	Finance-Name Checks
4.	Grant A. Fielden, 1st Lt.	Intelligence Officer
5.	Ernest G. Weidul	" "
6.	Armand I. Vallieres	" "
7.	Rutherford T. Walsh	" "
8.	Lorents R. Jorgensen, 1st.Lt.	" "
9.	Alwyne C. Pinder	" "
10.	Grace Miller	Chief Clerk
11.	Elinor Stevens	Stenographer
12.	Jacqueline Faerber	"
13.	Neil Stine	"
14.	Florence Wagoner	"
15.	Esther Weikel	"
16.	Eleanor Leighter	Typist-Clerk
17.	Mary Ashby	"

In Peiping

1.	James Waldron, T/4	Intelligence Officer
2.	Helen Valerius	Stenographer

Howard Waldron, T/4, formerly assigned Peiping, at time of this report is in Shanghai preparing to leave for the States.

In Tsingtao

1. Capt. Elmer Stephens, Intelligence Officer
Being transferred to Peiping. No replacement. Files remain. Tsingtao not regarded as important as Peiping.

In Tientsin

1.	Harry D. G. Carroll, T/4	Intelligence Officer
2.	Harriet Lewis	Stenographer

In Mukden

1. Charles Whitehurst, 1st Lt. Intelligence Officer

In Changchun

1.	John Foster	Intelligence Officer
2.	Wm. Braden	" "

General Comments

The following are expected to leave for the States in early August: Glenn D. Fields, Lorents R. Jorgensen, 1st Lt., Howard Waldron T/4, Alwyne C. Pinder.

Ernest Weidul desires to leave unless something concrete is worked out concerning dependents coming to China.

Our Monthly Activity Report dated 1 July 1946 reflects that a stenographer on SI rolls was being made available to X-2 in Tientsin. This stenographer, Miss Harriet Lewis, is now carried on X-2 rolls.

II. Operations

A. Number of operations currently active.

Shanghai	5
Tientsin	7
Peiping	3
Mukden	2
Tsingtao	1
Changchun	Not known
Total operations	18

B. Principal operations

(1) Shanghai

A recent Shanghai operation consisted of sending a Chinese agent from Shanghai to a communist meeting which was held in Foh-San. The latter is a town in Kiangsu Province and is approximately 50 miles from Shanghai. The agent was given funds and instructions by this office. He successfully attended the meetings in Foh-San and the information obtained is being included in a separate report.

In Shanghai, the operations mentioned in our last monthly activity report are still in effect. One operation has not been mentioned by this office but BH/66 is expected to present the details upon his arrival in Washington. With reference to the Tass project with which Washington is familiar, recent information leads this office to believe that the communications are phony and are distributed with Soviet sanction. The background and development of this entire project is being written by BH/76 and will be forwarded to Washington via letter.

(2) Peiping

Our Monthly Activity Report dated 1 July 1946 states that through the use of BIS (Chinese Intelligence), we have received certain results of Chinese efforts to monitor Soviet radio stations. A high speed wireless interception set was used to record high speed transmissions from Moscow, Leningrad, Vladivostok, and Haborovsk, Russia. And arrangement was made with the Peiping office of the Bureau of Investigation and Statistics for copies of the original interception tape which recorded the afore-mentioned high speed transmissions. Since there was no Russian Morse code translator attached to the Peking office, the tapes could not be used locally.

However, some of the tapes have been collected and are being forwarded to Washington. A further arrangement was made with the BIS to obtain copies of the Russian text of these transmissions after the tape had been decoded. Most of the information is political and economic in nature. An informant of this office advised that all information which was intercepted by the above-mentioned system was made known to the Soviets. The probable source of this intelligence leak is believed to be a Russian agent who is in the employ of a General who is second in command of the Bureau of Investigation and Statistics in the Peiping area. In view of the fact that the activities of the Chinese in connection with the above are already known to the Soviets, it does not appear advisable that we attempt to secure the services of a Russian Morse code operator for this specific job.

(3) Tientsin

Attempts are being made to penetrate an organization known as the Loyal Brotherhood Association which was formed by high ranking members of the BIS (Chinese Intelligence). Their object is said to be to collect intelligence on all foreign nationals including the Americans. The SSU Compound has been placed under surveillance by the use of ricksha boys. They have offered an informant of the office CNC 2,000,000 per month to work for and obtain agents for them.

An agent was dispatched to Harbin by the Tientsin office and returned to the Tientsin office after being two weeks overdue. Agent states that he was captured by the Chinese Communists near Harbin. He was not allowed to enter the city, but was sent to a nearby camp to be "re-educated". Agent is in the hospital in Tientsin. He is expected to recover.

Further, in Tientsin, in conjunction with SI, an agent is being briefed, and will depart soon for Manchouli, and Chita, Siberia.

Also, by this branch in Tientsin, an agent has been dispatched to the Western Provinces and the Mongolian border. He is expected to return 20 August 1946. An agent with a caravan has been dispatched to Mongolia but is not expected to return until 1 September 1946.

With reference to Koreaan activities, the Tientsin office has arranged transportation and attempts are being made to recruit suitable personnel for this delicate mission.

The Tientsin office has also submitted pertinent information concerning the following:

a. Research into atomic energy
b. Operation of Torgbred
c. Recruiting of Agents among the Ukranians
d. The arrival of intelligence personnel aboard the S.S. Smolny.
e. BIS, Central Control Bureau, 94th Army, as well as the CDL Organization and other matters.

III. Services Rendered Other Agencies

A. Shanghai

The photographic equipment of this office is set up so as to enable speedy photographing of documents in emergencies. These facilities were recently used by CID in connection with investigations of considerable importance.

Clearances (Name Checks)

For G-2	276
For Consulate	341
For Navy	71
For CID	18
Total Name Checks made Shanghai	706

B. Tientsin

Forty-eight visa applicants were cleared for the Consulate. One investigation was conducted for the Consulate.

C. Peiping

Name checks for Consulate	11
Name Checks for Navy & Marines	30

Nine investigations were conducted for the Consulate. Certain information was furnished to Executive Headquarters in Peiping.

D. Mukden

It is known that certain services have been performed for the Consulate.

E. General

From time to time "Safe Haven" material has come to the attention of this office and is to be directed to proper authorities.

IV. Relations with Foreign Agencies.

As stated in the previous monthly report, this office does not maintain an official liaison with any foreign agency. However, it was indicated that certain personal relationships exist between members of this branch and representatives of foreign agencies. The relationships as outlined remain status quo.

V. Difficulties.

A. As previously indicated, this Branch could use additional intelligence, clerical and stenographic personnel. If Harbin becomes open to us we could easily use four intelligence men to cover that area. They are not available now. Should Harbin open before additional personnel arrive, other field stations will be stripped in order to meet the urgency of

collecting information in Harbin while the opportunity presents itself. With further regard to personnel shortages - Howard Waldron, formerly assigned to Peiping is leaving for the States in August. James Waldron will be eligible for Stateside shipment soon and in order to preserve the continuity of handling the operation personnel in Peiping, Captain Elmer Stephens is being transferred from Tsingtao to Peiping. At the present time Peiping is regarded as of more importance from a CE standpoint than Tsingtao and it is essential that our contacts in Peiping be maintained. A replacement for Stephens in Tsingtao is not available at the present time.

With reference to the work of the Chief Clerk's office in Shanghai, it is pointed out that for some time we have had a tremendous backlog in filing and particularly indexing. To add to these difficulties, it recently became necessary to release our only clerk engaged in straight filing work. Her release was occasioned by virtue of her British nationality. The Shanghai Chief Clerk's office could easily use a file clerk (typing ability unnecessary) and another clerk-typist.

B. Supply Problem

As previously stated, we could use additional steel file cabinets which cannot be secured locally. Also needed are steel drawers which will be used as a repository for 3x5 index cards. Adequate security cannot be maintained until the above are furnished.

C. Operational Problem - General

With the Army gradually pulling out of Shanghai, the personnel of this office wearing Army uniforms is finding it increasingly difficult to operate without becoming too conspicuous. It is a problem which will be ironed out locally. It may become necessary to put more men in civilian clothes in Shanghai. When change becomes necessary, Washington will be advised.